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# REPORT OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON PORTS

Palais des Nations, Geneva,
25-29 October 1993

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## INTRODUCTION

1. The Intergovernmental Group of Experts on Ports met from 25 to 29 October 1993 at the Palais des Nations, Geneva, further to a decision taken by the Trade and Development Board at its thirty-ninth session in March 1993.

2. The terms of reference of the Intergovernmental Group of Experts, as approved by the Trade and Development Board, were as follows:

"The Group of Experts will examine factors which can contribute to efficient management and sustainable development of ports and related port services in order to foster competitive maritime transport services and to strengthen capacities for trade.

In carrying out its task, the Intergovernmental Group of Experts will:

(a) Focus on two main elements of the new work programme namely:

Port organization, including issues relating to privatization, commercialization, deregulation and existing legislation;

Port management, including issues relating to human resources development, strategic planning, marketing, sustainable development and investment requirements;

(b) Supplement the expertise available in the secretariat through the presentation by selected ports of the experience gained in the fields of port organization and port management;

(c) Assess, while having due regard to competition between ports, the potentialities for increased regional cooperation between ports, in the fields of port organization and management;

(d) Review the relevant publications produced by the secretariat at the request of the 1990 Intergovernmental Group of Experts on Ports by:

(i) examining their distribution and assessing the interest they generated, the applicability of their relevant recommendations and what additional information is needed for the development of competitive ports and related ports services, particularly those located in developing countries and countries with economies in transition;

(ii) providing inputs from the port industry on significant gaps in existing information on port organization and management available from international organizations, port associations, seminars, conferences and publications to ascertain whether there is a need to strengthen the dissemination of the available information;

(iii) providing professional opinion on specific subjects of the approved work programme on which the Standing Committee on Developing Services Sectors (Shipping) should accord priority;

(e) Review the work carried out by the secretariat in the field of port management training and technical cooperation, assess its impact on the development of competitive ports and related port services and, in this context, assess the needs that are not met through the various types of training available from bilateral and multilateral sources in order to assess potential areas for future UNCTAD activities in this field; and

(f) Prepare a report on the above items for submission to the Standing Committee on Developing Services Sectors (Shipping) at its second session."

3. In the course of its session, the Intergovernmental Group of Experts held four formal and seven informal meetings.

Opening statements

4. The Chairperson, in her introductory remarks, summarized the objectives of the Group, which were to consider factors affecting efficient and sustainable developments of ports, to consider means of enhancing competition, and to enhance the capacity of world trade through the development of ports. She noted that the meeting of the Intergovernmental Group of Experts was timely, as the world's ports would soon be entering a new century of operation, with nations and Governments staking the future prosperity of their peoples on expanded world trade. This expansion of world trade and the increased pace of trade would place ports under intense pressure to expand facilities and improve services while reducing costs. At the same time, the concentration of power in the hands of mega-shippers increased the risk for ports, as routing changes could significantly change cargo volumes. Added to the challenge facing ports were legitimate environmental concerns which must be met. She suggested that ports could meet these challenges by, firstly, adopting a strategic planning approach, secondly, forming alliances with partners to obtain mutual business advantages, and thirdly, strengthening the partnership with the city so that the community and port could work together towards sustainable development.

5. The Secretary-General of UNCTAD observed that the presence at the meeting of high officials and port directors from many countries was an indication of their confidence in UNCTAD. The key issues for the consideration of the Group were port organization and management, which included the issues of privatization, deregulation, commercialization, marketing, human resources development, sustainable development and regional cooperation, as well as an assessment of the technical cooperation and training activities of the UNCTAD secretariat. There was a clear link between efficient management and sustainable development of ports and the strengthening of capacities for trade. He noted that UNCTAD sought to provide support to the international port community through port management training and technical cooperation and in particular drew attention to UNCTAD's role in the rehabilitation of the

port of Mogadishu in Somalia. Finally, he stated that two international port organizations would hold short meetings in Geneva in coordination with the meeting of the Intergovernmental Group of Experts, and that was a positive step towards the strengthening of cooperation.

6. The Officer-in-charge of the Services Development Division said that, although the most serious problems facing ports were the result of inadequate organization and management, this in turn was often the result of excessive interference by central governments. The mechanisms of restructuring, commercialization and privatization represented means of improving the situation through the development of market-oriented and financially viable ports. Important topics to be considered included port legislation, which was required at the local, national and international levels for efficient development and operations, and sustainable development, the objectives of which were economic development combined with protection of the environment and equitable sharing of related benefits and costs. Regional and international port organizations and associations were asked to provide information on the potentialities for increased regional cooperation amongst ports. UNCTAD training programmes had been made more complementary and covered middle and senior managers, and the Governments of Belgium, France and the Netherlands were thanked for their financial assistance in that connection. UNCTAD technical cooperation would also be reviewed during the meeting of the Intergovernmental Group of Experts, with a presentation on UNCTAD's work in Somalia for the rehabilitation of the Somalia ports.

7. The spokesperson for the Group of 77 (Algeria) asked the Group to show its recognition to the experts based in Mogadishu for their dedication and courage.

## Chapter I

### PORT ORGANIZATION AND MANAGEMENT
(Agenda item 3)

### PUBLICATIONS AND TECHNICAL COOPERATION
(Agenda item 4)

8. For its consideration of these items, the Intergovernmental Group of Experts had before it the following documentation:

"Port organization and management: report by the UNCTAD secretariat" (TD/B/CN.4/GE.1/2);

"The principles of modern port management and organization" (TD/B/C.4/AC.7/13) (background document);

"Legal aspects of port management" (UNCTAD/SHIP/639) (background document);

"Strategic planning for port authorities" (UNCTAD/SHIP/646) (background document);

"Port marketing and the challenge of the third generation ports" (TD/B/C.4/AC.7/14) (background document);

"The management and development of human resources in ports" (UNCTAD/SHIP/644) (background document);

"Sustainable development for ports" (UNCTAD/SDD/PORT/1) (background document).

9. The representative of the International Association of Ports and Harbours (IAPH) noted his Association's contribution towards international port cooperation, emphasizing that assistance to developing countries was focused through the Association's human resources committee.

10. The representative of the Permanent International Association of Navigation Congresses (PIANC) presented the work of PIANC and of the Permanent Committee for Development and Cooperation (PCDC). The Association was a non-political, non-profit technical organization that sought to promote both inland and ocean navigation by fostering progress in the design, construction, improvement, maintenance and operation of inland and maritime waterways and ports. He explained the history and structure of PIANC, its technical activities and its publication, and he described how PCDC worked to provide assistance and expertise to developing countries. Finally, he noted PIANC's desire to increase its cooperation with UNCTAD.

11. The representative of Peru noted that many political and structural changes had occurred in many countries since the last UNCTAD meeting on ports, and it was extremely useful to be able to examine questions of port restructuring and the setting of tariff levels. Since 1991 there had been a

fundamental change in Peruvian ports, reflected in the privatization of cargo-handling operations. Port tariffs had been deregulated, which had improved efficiency and reduced costs, and other costs relating to container handling, pilotage, towing and dock use had also been reduced. Finally, the 18 per cent tax on port and shipping activities had been eliminated, making Peruvian ports more competitive. He expressed his appreciation for the technical cooperation Peru had received through UNCTAD.

12. The representative of Japan outlined the situation of ports in his country and their crucial role for the economy and support for trade. Ports had been regarded as a strategic means for national and regional development. The primary responsibility for port management lay with local governments, while the national government was responsible for coordination and for technical and financial assistance for port development. Cargo-handling operations were performed by the private sector, and this arrangement had worked well in Japan. Japanese ports were being transformed into third generation ports, with more market-oriented services and strong city-port relations. A comparative analysis on a country-by-country basis would be useful to assist countries in choosing the best strategy for their specific case. He stressed that ports should not forget that they must provide reliable and efficient services to their customers and that strategic planning and marketing would function as effective tools to promote port activities. Finally, regional cooperation, for example between hub and feeder ports and even between competing ports, was possible and beneficial, and such cooperation would be promoted through the meeting of the Intergovernmental Group of Experts.

13. The representative of Yemen noted that cooperation between ports at both ends of the maritime trade link could be improved. He suggested that seminars and advisory services provided by UNCTAD could strengthen the transport chain.

14. The spokesperson for the Group of 77 (Algeria) observed that the issues to be discussed were very important for developing countries and countries in transition. The development of transport facilities was a fundamental part of development for trade, and the meeting of the Intergovernmental Group of Experts had the full support of developing countries.

15. The representative of Lebanon said that the rapid pace of technological change affecting ports made it difficult for developing countries to recover their investments. It was important for developing countries to learn from the investment experiences, both good and bad, of ports in developed countries.

16. The representative of ILO provided information on ILO's main activities for the port industry up to the end of 1995. ILO would be organizing a regional meeting for Asia and the Pacific in April 1995 on social and labour problems caused by structural adjustment, and that meeting would be followed by a global meeting on the problem, to be held in Geneva in December 1995. ILO was presently developing a Portworker Development Program which was designed to train container terminal supervisors and comprised 30 modules with some 500 hours of training material. Since 1986, ILO had been coordinating a TCDC programme in Latin and Central America for standardizing port training

programmes, and this experience would be used for a similar programme in Asia. He concluded by confirming that ILO's technical cooperation programme would continue, particularly for port worker training.

17. The representative of Mexico described the steps that were being taken to modernize the port system in his country. The principal objective was to increase the efficiency of the administration and operation of the ports through a programme of decentralization, deregulation and privatization. Each port would be given operational and financial autonomy through an Integral Port Administration (IAP), which initially would be public but could then be transferred to the private sector. There were a large number of laws dealing with ports that needed to be revised. The IAP must subcontract operations to promote competition, and foreign investment was limited to 49 per cent. He thanked UNCTAD for its assistance in the field of training through the TRAINMAR programme.

18. The representative of India noted that the transport sector competed with other key sectors such as health, education, housing, etc. for economic resources, and that optimum use must be made of existing facilities. The main weaknesses in Indian ports concerned inadequate use of infrastructure, incorrect labour practices, lack of knowledge of latest management techniques and lack of sustained human development policy. Large efficiency gains could be achieved by simplifying documentation and procedures. The experiences of other countries in restructuring their port sector would be of value for India in its consideration of this issue.

19. The representative of Croatia described the status of ports in his country. In the past, ports had been self-financing, with no government assistance for infrastructure. This had now changed with the new Government's recognition of the importance of ports for development, and port legislation was being introduced to shift services to the private sector, with the public sector functioning as a landlord port authority. The issue of restructuring of ports was therefore very important for his country.

20. The representative of Brazil noted that, rather than a programme of privatization, his country had embarked on a programme of defederalization or decentralization of ports. Towards this end, after a lengthy process, legislation was being changed, which would allow the private sector to operate concessions. The port authority's board was composed of representatives of government, operators, users and unions. Documentation needed to be simplified, and tariffs must be adjusted regularly as a result of the high rates of inflation in Brazil. He concluded by noting the importance of negotiation with all parties in order to reach the goals of improved performance, infrastructure development and employment requirements.

21. The representative of Guinea outlined the developments that had taken place in the port of Conakry since 1980. Funding from international and national development banks had allowed the infrastructure to be modernized, and in 1987 the private sector had taken over cargo handling and storage operation. A port management association had taken responsibility for the port workers, while the public sector managers had been taken over by the

private sector and retrained. As a result of government and port authority support and incentive programmes, the experience had been positive, and privatization had been a tool to develop and improve the port.

22. The representative of Norway noted that ports in his country had been privatized for decades, with the land area and quay infrastructure belonging to the port administration, although some private firms had developed and owned their own terminals. The operators were responsible for marketing vis-à-vis the users, as the port authorities considered their customers to be the terminal operators. Public investment in ports must be carefully coordinated through a transport plan to avoid over-investment resulting from the demands of private operators. Tariffs must be monitored to maintain the high use of inland waterways, which were environmentally better than road transport.

23. The representative of China noted that the Government's policy in the early 1970s of expanding foreign trade had resulted in port congestion. In response to this problem, a massive programme funded with national and foreign capital had been implemented to develop new facilities, and the number of deep-water berths had more than doubled. During the present five year plan, a further 100 deep-water berths were to be constructed. Since 1984, there had been a decentralization of port control to local government, with the central government playing a coordinating and policy-setting role. Competition in the port sector was encouraged, with ports having to seek business with shippers and shipping companies. Ports had been given operational and financial autonomy, as well as greater freedom in setting salary and wage levels. China was turning to the international community for funding, technology and expertise to improve its port sector, and joint ventures were being encouraged. China was presently cooperating with Trainmar to establish a training centre in Shanghai.

24. The representative of Germany gave a brief description of the situation of German ports after the reunification process and noted the importance of inland transport in view of the large volume of transit traffic passing through the country. He described the different legal regimes that existed for ports in the Federal Republic of Germany on account of the federal nature of the country. These ports had helped in the reorganization of ports in the former German Democratic Republic, which had been carried out in only three years. Advice of the kind provided might be of interest to ports in other countries.

25. The representative of Indonesia explained that ports played a crucial role in his country, not only because they were vital to foreign trade but also to connect the more than 17,500 islands and 1,424 ports in the country. Under the terms of a new shipping law enacted in 1992, ports were expected to be more responsive to commercial pressures, efficient and cost-effective, as well as to provide financial benefits for the Government by reducing public funding for development and generating revenue from the sale of assets. The participation of the private sector in public-sector companies was thus going ahead, and a specific regulatory environment was being prepared for that purpose.

26. The representative of Algeria said that a reorganization of the port sector had begun in 1982 with the establishment of individual port companies in each port. These companies were responsible for providing infrastructure and services for ships and cargoes. The Government was now giving greater autonomy to these companies by establishing Boards to manage them along commercial lines, with the possibility for both private and public capital to participate in investments on an equal footing.

27. The representative of Mozambique explained the vital role that Mozambican ports had played in the past in serving neighbouring countries through transport corridors and their present inability to serve traffic. Cargo now stood at only 25 per cent of its previous level. Commercialization was now being implemented, and it was expected that leasing of facilities, joint ventures or other arrangements would be introduced to rehabilitate the ports. However, there were fears of foreign domination, as local expertise and funding was very limited after the lengthy civil war. Also, financial assistance from international institutions was being linked to institutional change that the country was not ready for. He requested help in institution-building and human resource development to help overcome that deficiency.

28. The representative of the Port Management Association of West and Central Africa (PMAWCA) explained that this association, which had been established in 1972, spanned Africa from Mauritania to Angola and was having its eighteenth meeting that same week in Libreville. The Association had undertaken activities in the field of training, preparation of an almanac of port experts in the subregion, harmonization of statistics, cost accounting, tariffs, etc., institutionalization of the African Port Days, and creation of a port assistance fund. The Association acknowledged the help received from United Nations bodies and agencies, such as UNCTAD, ILO and IMO, and European Governments that had assisted it in playing a successful role in the port sector.

29. The representative of Morocco, referring to the Port Management Association of North Africa (PMANA), noted that this Association, which had been formed in 1974, grouped seven countries from Mauritania to Sudan. PMANA sought to harmonize the legislation, rules and policies of its members and had as its objectives improving, coordinating and standardizing port operations and services, establishing relations with other organizations to study questions of interest, and providing a forum for national port administrations to exchange views on common problems. There were committees dealing with information technology (EDI) and statistics, port tariffs (harmonization of tariff structures) and technical issues (port equipment database). Several technical economic studies were planned, including one on free port zones.

30. The representative of Morocco said that the regional development policy initiated by his country in the mid-1970s had favoured the development of new ports based on a government/port partnership. A first phase had seen the increased involvement of the private sector, while a second phase had involved the adoption of programme contracts between government and enterprises, both public and private. A Port Operations Office (ODEP) had been created, which

was a public institution with commercial and industrial objectives. Having one single institution to manage all ports instead of an independent entity for each port had many practical advantages, especially with regard to accounting, administration and human resources management.

Action by the Intergovernmental Group of Experts

31. At the Group's closing plenary, on 29 October 1993, the Vice-Chairman presented draft conclusions of the Intergovernmental Group of Experts (TD/B/CN.4/GE.1/L.2), with some oral amendments.

32. The representative of Mexico expressed dissatisfaction over the fact that the Spanish translation of the draft conclusions had not been made available in time.

33. The Intergovernmental Group of Experts adopted the draft conclusions, as orally amended (for the text of the conclusions as adopted, see annex I).

Closing statements

34. The Officer-in-charge of the Services Development Division said that the meeting of the Intergovernmental Group of Experts had been very useful. The many interesting ideas which had been discussed would have some impact on the formulation of specific national positions, and each country would have to decide on the option which suited its conditions best.

35. The recommendations resulting from the meeting, after being endorsed by the Standing Committee, would serve as guidance and basis for work in the immediate and medium-term future. Many of the recommendations were already included in the medium-term plan, though there were some others, such as specific requests concerning environmental issues, where it was doubtful whether in-house expertise and capacity would be available. As it was not very likely in the present situation in the United Nations that capacity in the area of ports would be increased in the immediate future, it would probably be necessary to call on countries and the various associations to provide inputs and/or expertise. Of course, the UNCTAD secretariat would do its utmost to translate the Group's recommendations into action so that the port community as a whole would benefit from the results of the meeting.

36. The spokesperson for the Group of 77 (Algeria) said that her Group was very satisfied with the outcome of the meeting. The large number of experts present testified to the particular interest of developing countries in ports and their role in trade. The Group's recommendations, which should be seen in the context of the partnership for development embodied in the Cartagena Commitment, represented an excellent basis for future work.

37. With regard to the conduct of the meeting, a number of delegations had expressed concern about the translation of documentation, and it was hoped that every effort would be made to facilitate the full participation of all delegations in future.

38. The Chairperson said that the Group had succeeded in producing a comprehensive and constructive report and recommendations. During the meeting, a number of points of consensus had been reached, one of which was the Group's recognition that the role of ports was changing to deal with today's new economic environment. Ports, however, would not be able to play that new role fully if others, such as government, did not recognize that change. It was therefore important to educate the public about the vital role ports could play in local and national economies, about the employment they provided and the economic activity they generated and about the important role they played in the global economy. At the same time, port professionals must also change their own attitudes and behaviour. The strategies employed in the past might no longer be relevant for the future, and it would be important to draw upon the best ideas available world-wide. Strategies should be market-oriented, providing customers with the value and quality they demanded.

39. With technical evolution and economic globalization, the world of ports, like the world at large, was getting smaller. The port community everywhere was dealing with common concerns such as: port organization, management, operation and investment; finding and keeping the best qualified people; examining the value and benefit of regional cooperation; understanding the impact of new laws and regulations; and assuring that ports did their job while safeguarding the environment. It was thus important to discuss these issues, find practical solutions and make the best use of resources.

## Chapter II

## ORGANIZATIONAL MATTERS

### A. Opening of the session

40. The session was opened on Monday, 25 October 1993, by the Officer-in-charge, Services Development Division.

### B. Election of officers

41. At its opening plenary, on 25 October 1993, the Intergovernmental Group of Experts elected Mrs. Lillian Liburdi (United States of America) as its Chairman, Mr. Dinesh K. Afzulpurkar (India) as its Vice-Chairman, and Mr. Menouar Khelifi (Algeria) as its Rapporteur.

### C. Adoption of the agenda and organization of work

42. At its opening plenary, the Intergovernmental Group of Experts adopted its agenda, as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Port organization and management
4. Publications and technical cooperation
5. Other business
6. Adoption of the report of the Intergovernmental Group of Experts to the Standing Committee on Developing Services Sectors (Shipping).

### D. Adoption of the report of the Intergovernmental Group of Experts to the Standing Committee on Developing Services Sectors (Shipping)

(Agenda item 6)

43. At its closing plenary, on 29 October 1993, the Intergovernmental Group of Experts adopted its draft report (TD/B/CN.4/GE.1/L.1 and Add.1) and authorized the Rapporteur to complete the report as appropriate, taking into account amendments by delegations to their statements and the proceedings of the final plenary.

44. In adopting its report, the Intergovernmental Group of Experts also decided to annex to the report the Chairperson's summary of the Group's informal discussions (see annex II).

Annex I

CONCLUSIONS OF THE INTERGOVERNMENTAL GROUP OF EXPERTS ON PORTS*

**"Ports - Preparing for the Millennium"**

Introduction

1. Over the last years, international transport, including sea trade and ports, has become increasingly important in the world economy. One single world market has emerged where production, transport, and distribution and consumption of goods are no longer concentrated in one limited geographical area, but are instead spread over the whole planet. These dramatic changes have been made possible through the development of sophisticated and integrated transport and distribution systems and networks, often controlled by mega carriers and shippers, with the majority of goods moving by sea. These developments took and are still taking place in a competitive environment, resulting in great trade volatility generating risks and opportunities for ports. Risks are particularly high for countries and ports which have not anticipated these changes and are not prepared to take the strategic decisions, in particular, to adjust their management organization, facilities and services to trade requirements. Opportunities come from the fact that, in the process of integration of the transport and distribution functions, a modern port has many assets and can become one of the few nodal points of strategic importance for international trade.

A. General recommendations

2. Ports must recognize that they play a key role in the transportation logistics chain and assure the effectiveness of their contribution by defining themselves broadly. Focus on functions within the boundary of the port is insufficient.

3. The Group recommends reflection by Governments on the importance of the role of their ports and their great potential for fostering trade and development. In order to translate their support and to adopt appreciative port policies, the Group recommends the use of long-term (or master) planning and strategic business planning methodologies to assist Governments and ports to translate objectives into policy, strategy and implementation steps, including performance goals and evaluation mechanisms. These must assure the inclusion of management, human resources, legal, financial and operational tactics, including managerial autonomy where appropriate.

4. The Group recommends that the UNCTAD secretariat continue its work in cooperation with its sister agencies within the United Nations and other available expertise in the many areas of port activity, including technical assistance, studies, training and communication, and that the findings and results of its activities be shared through its usual methods and meetings of

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* As adopted at the 4th plenary meeting, on Friday, 29 October 1993.

the Intergovernmental Group of Experts on a more frequent and regular basis. The Intergovernmental Group of Experts invites the Standing Committee to examine the possibility of convening such meetings in the future. Further, the Group proposes that port matters be included more often as specific items on the agenda(s) of national, regional, intergovernmental and international meetings concerning trade, development and environmental issues and not be entertained solely as sub-items of other topics.

5. The Intergovernmental Group of Experts noted with great interest that ports have selected many forms of organization and management structures. It also noted that privatization/commercialization is of great value as an organization/management approach, but it cannot be seen as an end objective, in and of itself. The Group recognizes that privatization/commercialization/federalization could be of value in certain areas, judiciously chosen, relevant and appropriate to the conditions prevailing in the country. Because this is an emerging approach and because other approaches may be equally useful depending on the local government and social conditions, the Group recommends further study and analysis of the strengths/weaknesses of each of these concepts and an assessment of the economic implications of splitting functions between the public and private sectors.

6. Regional cooperation among ports has been achieved in some areas and proven to be useful. The Group recommends that UNCTAD identify and document where, and in what form these cooperative efforts exist, the areas of activity covered and the value identified by the participants.

7. The Group supports the conclusions and recommendations of the informal meeting of legal experts on port matters which are embodied in UNCTAD/SHIP/639/Annex I, in particular the reference to the creation of an international body of port jurists.

8. Taking into account the importance of environment and sustainable development, the Group of Experts recommends as follows:

(a) There should not be any competition between ports based on the lack of protection of the environment. For this purpose, pollution norms, environmental pricing systems, etc., should be assessed in accordance with the problems to be solved and the cost actually to be covered, taking into account the specific and technical/financial capacities of each port. Such an item should be on the agenda of the regional associations of ports. On occasion, government support may be indispensable in achieving this kind of assessment;

(b) The production of guidelines that clarify the responsibilities of the port authority and other entities, both governmental and non-governmental, in relation to the protection of the environment;

(c) The examination and use of incentives and use of innovative funding sources be considered by international institutions or national Governments where and when a concrete strategy and plan with reasonable outcome has been developed;

(d) To effectuate sustainable development efforts, most specifically port environmental responsibilities, a focal point should be established in all ports for environmental matters in order to collect and disseminate information (accidents, data, publications, laws, conference, etc.). Such a focal point should contribute to the formulation of the port environmental policy in such a way that international instruments or recommendations are taken into account as well as national interests and regulations;

(e) In addition, the focal point should assist in implementation of the adopted policy. A coordination mechanism such as an Environmental Committee should be created to coordinate action, inform all interested parties and give them the opportunity to present their views and obtain their support. The mechanism should seek advice of representatives of relevant national authorities, the port operator, port users, and people living in the vicinity of the port;

(f) Ports and cities are naturally interdependent. The critical natures of their linkages needs to be recognized and strengthened. Among the many concerns for the future discussed by the Intergovernmental Group of Experts was the need to ensure that it is possible to balance the need to sustain ports and their links to cities while sustaining and protecting the environment for future generations. Maritime activities do not and cannot take place in pristine estuaries. That must be recognized. However, the Intergovernmental Group of Experts does not believe that ports are currently equipped to achieve the desired balance.

## B. Specific recommendations

### 1. Port policy

9. The Group recommends that port policy reflect the fact that ports are important but are only one link in the entire transport chain (railways, roads, waterways) and the other integrated functionaries like customs, police and local authorities comprise the others.

10. The Group recommends that this policy be implemented by optimum utilizations of labour, more efficient cargo handling, intensive use of EDI, streamlined procedures and efficient use of equipment.

The IGE recommends that the examination and use of incentives and use of innovative funding sources be considered by international institutions or national governments where and when a concrete strategy and plan with reasonable outcome has been developed.

### 2. Port organization and management

11. The Group recognizes the need to modernize the present organization of the port system. This is a process which needs to take into account the social and economic realities and particularities of the country under consideration. The Group feels that the method for examining and carrying out the diagnosis of a port system proposed in TD/B/C.4/AC.7/13 appears to be the best means to ensure proper organization and control of a port and recommends

its use as one key tool to be employed. The Group recognizes also that the modernization process must be supported by an appropriate legal framework, which will take into account the most adequate division of responsibilities between central, regional and local levels, the role to be played by national and foreign private entities and the role of port labour as ports become more capital/technology oriented.

12. Ports have to make every effort to be efficient, especially in the cost and quality of service they offer to customers to ensure the port is a successful transport and distribution centre.

13. The Group reached the consensus that in today's commercial environment, port management should be market-oriented to better satisfy customers while keeping in mind that port infrastructure is also of national strategic importance. This entails ensuring that marketing functions become one of the priorities in the organization and management of the port and that all actors of the port community should be united to promote the port.

14. The Group recommends that a port policy, with clear objectives and development strategies focusing on the institutional changes needed to cope with changes in trade and transport, be defined. The Intergovernmental Group of Experts recommends that the UNCTAD secretariat explore the possibility of the International Association of Ports and Cities preparing a study on the issue of sustainability and the linkages between cities and ports, to be published within existing resources by UNCTAD.

C. Recommendations concerning UNCTAD secretariat activities

15. The Group, having reviewed the UNCTAD publications in the ports field, has found them highly satisfactory. They are generating a high level of interest in all countries, particularly in developing ones which have not always the capacity to carry out similar in-depth investigation. However, there is no doubt that information on the type of work done by the United Nations system in the field of port organization and management is not disseminated widely enough. The UNCTAD Ports Newsletter is a very useful initiative which is contributing to fill this gap. However, its distribution should be amended to include, in addition to the general manager of one or two ports in each country, other key stakeholders. Further, subscriptions should be encouraged to assure a reliable distribution methodology within UNCTAD.

Issues to be addressed

16. Account being taken of the fact that four studies have already been envisaged, as part of the UNCTAD work programme in 1994 and 1995, 1/ the Group recommends the following topics as priorities for further studies, if enough resources are available:

1. Survey of national port systems;

2. Analysis of the relationship between the city and the port;

3. Case studies on human resource development in ports.

17. The Group feels that the cooperation between ports at various levels in the field of sharing information, exchanging experiences, training activities and marketing expertise should be strongly encouraged by UNCTAD and Governments.

18. Training is one of the most important domains where the assistance by UNCTAD could be provided. The Group appreciates the efforts made and positive results achieved so far and recommends that the necessary resources should be assured and the training programmes should be maintained and reinforced.

19. The Group has taken note, with appreciation, of the fact that more than 50 per cent of the resources available to UNCTAD in the ports field are allocated to technical cooperation and training activities. The Group reiterates its support for the present clear cut delineation of activities of UNCTAD's various training programmes in the ports field in order to avoid duplication and overlapping. The UNCTAD secretariat's initiative to launch a port diploma course for middle managers and new recruits is welcome and should be further pursued in cooperation with the American Association of Port Authorities (AAPA) and other interested organizations. This should be complemented by the development of new policy seminars and the updating of existing ones to take into account the new developments taking place in trade and transport. The Group also recommends that the TRAINMAR network be extended and strengthened for the benefit of middle and junior port managers, the strengthening of port training initiatives and the fostering of cooperation amongst training institutions.

20. The Group was pleased to have a presentation on the UNDP/UNCTAD/WFP technical cooperation programme to rehabilitate the ports of Somalia. It strongly recommends that donor countries and ports in a position to do so join in their endeavour and contribute to the full rehabilitation of the Somalia port system. The Intergovernmental Group of Experts further recommends that UNCTAD should act as an information exchange point for ports seeking information on technical cooperation cases like those of Somalia and Liberia.

D. Miscellaneous items

21. The Group is of the view that a biennial meeting is advisable, preceded by a high level seminar, and the Standing Committee is invited to consider this possibility.

22. The Group recommends that a list should be drawn up for reference of Governments and ports, on request, indicating ports, private companies and individuals who are able and willing to offer port management expertise.

Note

1/ These are: 1994: "Strategic port pricing" and "Comparative analysis of privatization, commercialization and deregulation in the port field"; 1995: "Potentialities for regional cooperation in the ports field" and "Financial aspects of port management".

Annex II

CHAIRPERSON'S SUMMARY OF INFORMAL DISCUSSION OF THE INTERGOVERNMENTAL GROUP OF EXPERTS

1. For the consideration of port organization and management, the Group had the following documents:

- The principles of modern port management and organization (TD/B/C.4/AC.7/13);
- Legal aspects of port management (UNCTAD/SHIP/639);
- The management and development of human resources in ports (UNCTAD/SHIP/644);
- Strategic planning for port authorities (UNCTAD/SHIP/646);
- Port marketing and the challenge of the third generation ports (TD/B/C.4/AC.7/14);
- Sustainable development for ports (UNCTAD/SDD/PORT/1).

2. The Group agreed that the organization (institutional structure) and management of ports were closely interrelated and that Governments might adopt different approaches towards organizing ports: one extreme was where market forces were given more freedom to work, the other was where tight control was exercised by the Government upon ports in view of their importance for the country. This was reflected in the variety of functions undertaken by the port authority, which ranged from simply developing facilities for others to operate (a landlord port authority), to the fully fledged operating port providing facilities and services alike. However, as all ports were active in the same global market place, there were some basic principles which applied to all of them. There was a need to streamline port organization and its management to cope with the modern requirements of trade and transport.

3. The Group benefited from the presentation made by Mr Rajasingam, General Manager of the Kelang Port Authority. He underlined the fact that privatization in the port of Kelang was a process which started in the second half of the last decade within the scope of the National Plan for Privatization. The Plan had been started by the Government to reduce its involvement in public companies and to create the commercial mentality needed to launch the country to compete in the international markets. Privatization in the port sector meant the taking over by the private sector of activities related to cargo and ship handling, as well as those involving a bailee responsibility. He mentioned the favourable economic conditions in which the process had been carried out, namely one of double digit economic growth, that

avoided redundancies of port labour and allowed the substantial transfer of staff from the port authority to the private sector. As a result the port authority's staff had been reduced from 4,800 to 60.

4. The Group also benefited from the presentation made by Mr. Mohamed Hassad, Director of the Port Operations Office of Morocco. He explained that during the last decade and to give a second opportunity to the public sector, it had been decided to reorganize the ports sector by creating a public company with national responsibility for the provision of ship and cargo related services in ports. This was called commercialization. The company was a public monopoly that was managed in such a way as to behave as a private company operating in a competitive environment. This was achieved by allowing it to have a loose link with Government, through yearly agreements; the possibility for individual ports to compete among themselves in terms of quality of service, but not in terms of tariffs, to attract traffic; and allowing competition within the same port by means of the so-called autonomous production centres. The main concerns of the management were to satisfy the needs of clients and to maintain high performance of personnel. The commercialization process was actively supported by the Government, and the freedom to fix tariffs by negotiation with users without government interference, as well as the introduction of good financial management, were paramount in providing the resources that supported the success of the process.

5. The presentations allowed the Group to discuss in depth issues of vital importance. The first one was the rationale for privatization or commercialization. Some experts felt that raising efficiency was a major reason to undertake the privatization or commercialization process. However, it was explained that creating a commercial environment conducive to developing a competitive advantage for the country was, in the case of Malaysia which faced stiff competition from Singapore, a more fundamental reason for the privatization process. Commercialization had been decided upon in Morocco with the aim of raising efficiency in ports but also because there was a clear preference in the country for allowing the public sector a new opportunity to prove its worth. Therefore, the restructuring process must be decided at the Government level, which, in any case, must actively support the process if it was to succeed.

6. Further, it was clear from the discussions that followed that a parallel track needed to be undertaken by the Government to improve the efficiency of port-related activities such as Customs, health control, banking, etc. to reap the benefits of privatization. A survey conducted in Brazil indicated that only 25 per cent of port problems were due to inefficiency of port operations, while 75 per cent were due to bad performance of other government-related bodies working in the port and/or inland transport. Therefore, as important as privatization was, it was essential to undertake the parallel improvement of other government agencies acting in the port, particularly Customs. The political organization of the country also had a strong influence on restructuring. Thus, countries with a federal constitution usually considered

that the modernization process had a component that involved a redistribution of responsibilities between the federal, state and local governments, in addition to the decision to privatize or commercialize the port authority.

7. An important question raised by experts was that of the results achieved. The example of Morocco clearly showed that higher productivities, measured in ship's waiting time and tonnes per hour, for ship and cargo handling had been achieved. Results reported by Malaysia indicated that greater efficiency, about a 25 per cent increase, was attributable to the similar increase in salaries. Other examples were given by experts; for instance in Callao, the main Peruvian port, productivity measured in cost terms had decreased from US$ 18 to US$ 3 per tonne for bagged cargo.

8. The second point concerned the extent of privatization or commercialization. It was clear that in Malaysia there had been no question of selling fixed assets, such as quays, warehouses, silos and the like. Only movable assets had been sold at the same time as leases of land for 21 years had been made to private concerns. Therefore, privatization spanned only port services to ships and cargoes.

9. On the issue of redundant labour, it was clear that the problem did not exist if changes were made at a time of favourable economic growth, as had been the case in Malaysia during the last decade and Japan during the late 1960s and early 1970s. In any case, it was indicated that a plan needed to be prepared taking into account the age profile of the workforce and ad hoc packages had to be devised that took into account retirement or pre-retirement benefits, transitional periods of employment, etc. There was no agreement on who should pay if redundancies were unavoidable.

10. The question of development of new facilities was also addressed in the context of privatization. This issue was linked to the overall strategy of the development of the port. One view held by port Kelang is that the port authority should be in charge of port development, giving limited inputs to lessees, since the latter could be interested in reaping profits by overuse of existing facilities, even to the point of congestion. Therefore, the development was firmly in the hands of the port authority. Further, a strict procedure governing the way facilities were handed out to lessees, maintained by them and returned to the port authority in good condition must be specified.

11. The relationship between the Government and the port authority attracted the attention of the experts. First, the issue of debts of the former body were considered in the case of the setting up of a new public or private company. One way to deal with this was to charge a fee to the public company for the facilities it managed and in this way the Government could cover the debt, as was the case in Morocco; another way was to convert the debt into equity fully owned by the Government, which was called corporatization in Malaysia and was a way towards full privatization. Second, in the composition of the board it was important to achieve a balance between the public and several parties belonging to the private sector to assure competition and

transparency. Third, it was clear that financial support for the process was not provided directly by the Government; on the contrary, the port was encouraged to seek funding from the trade or through tariffs.

12. The relationship between port authority and private sector raised more interest, in particular the strength of the private sector to undertake these activities and the valuation of the assets to be sold or leased. On the first point there was a need to combine local expertise with foreign investment, as shown by the provision of the Malaysian law that allowed only 30 per cent foreign shareholding if local expertise was available in the country, while there was no limitation if there was no local know-how. On the question of the valuation of the assets, this was contingent on the Government's views. Some believed that, on one extreme, no money would be necessary from privatization if more important benefits were at stake, while others firmly stated that the level of the proceeds from privatization was important, as what was involved was the sale or lease of assets which had been procured with taxpayers' money in the first place. More agreement was found on the issue of the tariff to be charged by the lessee. There was no fixed rule on what was a fair price, and the level of competition and risks faced by the lessee were the main elements to watch. It was believed that, to avoid monopolies or cartels, monitoring of the competitive position of the lessees should be carried out by the port authority.

13. Overall, it was thought that multiple strategies were to be pursued to take account of the different and specific needs of ports and countries' preferences, as exemplified by the different approaches of commercialization or privatization taken by different countries or in the same country. There was a clear need to collect case studies that could illustrate the variety of factors that played a role and to pinpoint the successes or failures that might help countries avoid past mistakes. The legal framework for the process stemmed from the Government's overall policy and active support, without which very little could be accomplished. Further, the expectations of the public and private economic and social agents present in the ports were paramount in the process. Closely related to this was the general level of economic activity of the country.

14. The subject of port legislation was considered with interest by the Group of Experts. It was acknowledged that the study before it was of high quality and very useful to assist in the harmonization of legal systems in certain regions in which disparate legal systems coexisted. Some experts focused on the need to clarify the roles of the maritime and port authorities in a port. Further, there was clear support for the idea of launching a port legal association that could represent the interests of ports in international fora in the same way as shipping interests were represented in IMO.

15. On human resources development, some felt that the study depicted a highly theoretical situation with little, if any, regard for realities prevalent in developing countries, in which labour was plentiful. Others believed that, even if the report was theoretical, it was a useful reference to guide management in dealing with human resource management and planning. The importance of this subject was recognized, in particular the aspects of retraining and training, as modernization processes could lead to considerable

redundancies. The need to combine the needs of private and public bodies in planning and using training facilities was essential.

16. Strategic planning was becoming more necessary because of the increased competitive environment for ports. The use of strategic planning in a port was presented by Mrs Lillian Liburdi, Director of the Port Department of the Port Authority of New York and New Jersey. The Group noted that to implement the strategies, close contact was required not only with direct clients of the port, such as lessees of facilities, but their clients too, that is cargo owners, shipowners, etc. Different funding arrangements made available to ports by Governments, or states in a federal country, could benefit those ports that received such funding when establishing their strategic plan. It was agreed that strategic planning was a useful management tool, not only for major ports but for all, and the Group requested UNCTAD to organize the dissemination of its principles, perhaps through seminars. Strategic planning when applied over a long period, could overcome negative trends, such as declining traffic, imbalance of traffic and changes in transport regulations.

17. For port marketing, the Group found the report by the secretariat of high quality. There was discussion on whether the port authority should take over freight forwarding, which was assuming an increasingly important role in the transport chain. Local conditions would determine if this would be beneficial; however, to make this activity efficient, there should not be a monopoly.

18. Sustainable development required that the linkages between ports and cities be recognized and strengthened. The need existed to balance the need to sustain ports and their links to cities while sustaining and protecting the environment for future generations. The availability of guidelines on waste reception facilities prepared by IMO was noted.

19. Regional cooperation amongst ports had been achieved in some areas such as sharing of information, exchanges of experiences, training activities, environmental monitoring and marketing expertise, and it had proven to be useful. Cooperation must be based on trust, confidence and professionalism. It would be useful for UNCTAD to identify and document cooperative efforts, including failures as well as successes.

20. For UNCTAD publications, the Group was unanimous in its appreciation for the quality of the documentation produced by the secretariat, which had greatly facilitated their work. However, there was a need to increase the circulation of this material to all those in the port industry. The Ports Newsletter was a particularly useful initiative that partially filled this gap.

21. Training was one of the most important areas where assistance by UNCTAD could be provided. A presentation of the Trainmar programme was made by Mr. Michael Daunt, Trainmar Coordinator. The Group appreciated the positive results and would like to see the training programmes maintained and

21. Training was one of the most important areas where assistance by UNCTAD could be provided. A presentation of the Trainmar programme was made by Mr. Michael Daunt, Trainmar Coordinator. The Group appreciated the positive results and would like to see the training programmes maintained and reinforced. The launching of a port diploma course was welcomed and should be complemented by the development of new policy seminars and updating of existing ones.

22. As an example of a technical cooperation programme, Captain Ed Johns described the UNCTAD/UNDP project for the rehabilitation of Somali ports. The Group found this presentation educative, as many delegates were unaware that these types of activities were undertaken by UNCTAD.

## Annex III

*ATTENDANCE 1/*

1. The following States members of UNCTAD were represented at the session:

Algeria
Angola
Belgium
Benin
Brazil
Brunei Darussalam
Burundi
Cameroon
Central African Republic
Chile
China
Colombia
Costa Rica
Côte d'Ivoire
Croatia
Denmark
Egypt
Estonia
France
Gambia
Germany
Ghana
Greece
Guinea
India
Indonesia
Iran (Islamic Republic of)
Japan
Lebanon
Liberia
Malaysia
Malta
Mauritius
Mexico
Morocco
Mozambique
Nepal
Netherlands
Niger
Nigeria
Norway
Pakistan
Papua New Guinea
Peru
Philippines
Poland
Republic of Korea
Romania
Russian Federation
Saudi Arabia
Senegal
Sierra Leone
Slovakia
Spain
Sri Lanka
Sweden
Syrian Arab Republic
Togo
Tunisia
Turkey
Ukraine
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Yemen
Zambia

2. The following other State member of UNCTAD was represented as an observer at the session:

South Africa

3. The following specialized and related agencies were represented at the session:

International Labour Organisation
World Health Organization
World Meteorological Organization
The General Agreement on Tariffs and Trade was also represented.

4. The following intergovernmental organization was represented at the session:

Organization of African Unity

5. The following non-governmental organizations were represented at the session:

Special Category

International Association of Ports and Harbours
International Cargo Handling Coordination Association
Permanent International Association of Navigation Congresses

6. Representatives of the following organizations attended the session at the invitation of the UNCTAD secretariat:

Forum Secretariat
Port Management Association of Eastern and Southern Africa.

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Note

1/ For the list of participants see TD/B/CN.4/GE.1/INF.1.